

# LIQUOR CONTROL

**PROGRAM:**  
Retail Operations

**PROGRAM ELEMENT:**

**PROGRAM MISSION:**

To provide efficient, customer-friendly retail stores that compete successfully with stores in surrounding jurisdictions both in price and selection; that comply with all laws; and that return a reasonable transfer to the General Fund

**COMMUNITY OUTCOMES SUPPORTED:**

- Provide high quality, high value service to customers
- Foster respect for all County, State, and Federal laws
- Provide a reasonable transfer to the General Fund to assist in supporting other County services

**PROGRAM MEASURES**

	FY02 ACTUAL	FY03 ACTUAL	FY04 ACTUAL	FY05 BUDGET	FY06 CE REC
<b>Outcomes/Results:</b>					
Gross profit (\$000)	19,359	20,960	22,671	23,152	24,318
Net income (\$000) <sup>a</sup>	7,326	7,801	8,519	8,265	7,925
General Fund transfer (\$000) <sup>b</sup>	7,609	6,963	6,984	6,984	6,984
<b>Service Quality:</b>					
Board of Liquor License Commissioners inspection violations	1	2	0	0	0
Montgomery County Police Department inspection violations	2	0	0	0	0
Percentage of customers satisfied with customer service offered <sup>c</sup>	96	96	96	100	100
Percentage of customers satisfied with facility and design <sup>c</sup>	93	94	94	100	100
Percentage of customers satisfied with product selection <sup>c</sup>	91	89	93	100	100
Percentage of customers satisfied with product pricing <sup>c</sup>	87	87	92	100	100
<b>Efficiency:</b>					
Gross profit per dollar of labor costs (\$)	3.21	3.37	3.39	3.29	3.04
Sales per dollar of gross profit (\$)	3.11	3.13	3.13	3.20	3.20
Sales per dollar of net income (\$)	8.22	8.40	8.34	8.97	9.83
Sales per dollar of operating expenses (less depreciation) (\$)	5.08	5.05	5.08	4.88	4.56
<b>Workload/Outputs:</b>					
Sales (\$000)	60,235	65,512	71,024	74,170	77,910
Cases transferred in (000) <sup>d</sup>	686	734	772	795	820
<b>Inputs:</b>					
Operating expenses excluding depreciation (\$000)	11,848	12,962	13,990	15,187	17,079
Labor costs including salaries and benefits (\$000)	6,040	6,223	6,691	7,038	7,994
Workyears	117.0	120.0	125.1	125.1	150.5

**Notes:**

<sup>a</sup>Based on Generally Accepted Accounting Principles (GAAP): revenues are recorded when earned; expenses are recorded when liabilities are incurred; capital outlay is excluded; depreciation is included.

<sup>b</sup>Estimate of total transfer attributed to retail operations.

<sup>c</sup>In the fall, postage-paid surveys are placed in customers' bags at checkout. Each store receives about 1,500 surveys to be distributed. In 2002, 1,237 surveys were returned from the 24 stores; in 2003, 888 were returned; and in 2004, 795 were returned.

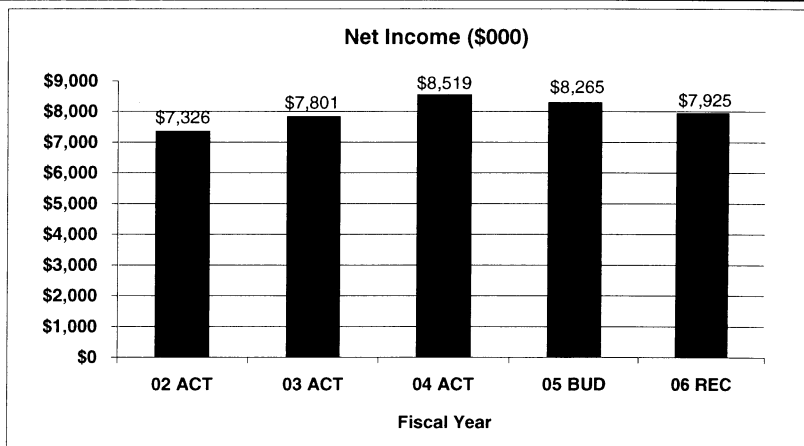
<sup>d</sup>This is the number of cases transferred to Department of Liquor Control liquor stores to be sold.

**EXPLANATION:**

Retail Operations consists of contractor and County-managed stores, plus a pro-rata share of other Department of Liquor Control functions (Office of the Director, Community Outreach, Finance, and IT).

In March, 2004, the County added a new retail store, making the total 25. In January, 2005, the Pike store reverted to County management, and in March, 2005, the Muddy Branch store reverted to County management. Currently, only one store is contractor-managed.

While gross profit has been increasing steadily, net income is projected to decline in FY05 and FY06 when the Department of Liquor Control undertakes new investments in computer upgrades.



**PROGRAM PARTNERS IN SUPPORT OF OUTCOMES:** Finance Department.

**MAJOR RELATED PLANS AND GUIDELINES:** Federal, State, and County laws; Generally Accepted Accounting Principles.

# LIQUOR CONTROL

PROGRAM: Wholesale Operations		PROGRAM ELEMENT:																
PROGRAM MISSION: To ensure the availability and delivery of beer, wine, and other beverage alcohol to wholesale licensees and retail stores at reasonable prices, in good condition, and in a manner that complies with all laws and returns a reasonable transfer to the General Fund																		
COMMUNITY OUTCOMES SUPPORTED: • Provide high quality, high value service to customers • Foster respect for all County, State, and Federal laws • Provide a reasonable transfer to the General Fund to assist in supporting other County services																		
PROGRAM MEASURES		FY02 ACTUAL	FY03 ACTUAL	FY04 ACTUAL	FY05 BUDGET	FY06 CE REC												
Outcomes/Results:																		
Gross profit (\$000)	23,074	23,987	25,694	27,178	28,549													
Net income (\$000) <sup>a</sup>	14,179	13,535	14,909	14,692	14,089													
General Fund transfer (\$000) <sup>b</sup>	14,726	12,115	13,517	13,517	13,517													
Service Quality: <sup>c</sup>																		
Percentage of customers satisfied with employees' friendliness and professionalism	88	84	93	100	100													
Percentage of customers satisfied with level of customer service provided	65	79	74	100	100													
Percentage of customers satisfied with product integrity <sup>d</sup>	87	86	84	100	100													
Percentage of customers satisfied with product selection	85	80	80	100	100													
Efficiency:																		
Gross profit per dollar of labor costs (\$)	2.84	2.67	2.72	2.68	2.48													
Sales per dollar of gross profit (\$)	3.89	3.82	3.78	3.77	3.77													
Sales per dollar of net income (\$)	6.33	6.76	6.52	6.97	7.64													
Sales per dollar of operating expense (less depreciation) (\$)	10.52	9.20	9.37	8.94	8.35													
Workload/Outputs:																		
Sales (\$000)	89,817	91,527	97,148	102,427	107,590													
Cases sold (000)	3,945	3,891	4,026	4,642	5,340													
Inputs:																		
Operating expenses excluding depreciation (\$000) <sup>e</sup>	8,536	9,950	10,368	11,456	12,884													
Labor costs including salary and benefits (\$000)	8,123	8,976	9,433	10,128	11,505													
Workyears	157.0	166.0	167.1	168.1	172.8													
Notes:																		
<sup>a</sup> Based on Generally Accepted Accounting Principles (GAAP): revenues are recorded when earned; expenses are recorded when liabilities are incurred; capital outlay is excluded; depreciation is included.																		
<sup>b</sup> Estimate of earnings transfer attributed to wholesale operations.																		
<sup>c</sup> Surveys are mailed to all wholesale customers every fall to gauge satisfaction in the four key areas shown. About 850 are mailed out each year (the number depends on the number of active licensees), and the number of responses has ranged from 242 (in 2001) to 78 (in 2003).																		
<sup>d</sup> "Product integrity" encompasses a number of characteristics that affect the saleability of the product when it arrives at the customer's establishment - cleanliness, damage, within-code date, etc.																		
<sup>e</sup> Operating expenses include the night loading contract.																		
EXPLANATION:		<div><p>Wholesale Operations consists of Warehouse Operations and Delivery Operations, plus a pro-rata share of other Department of Liquor Control functions (Office of the Director, Community Outreach, Finance, and IT). The Warehouse Operations portion involves management of the warehouse facility and includes receipt, storage, and loading of distilled spirits, wine, and beer. Delivery Operations includes the distribution of distilled spirits, wine, and beer to approximately 870 private retailers and 25 County stores. (The 25th store was opened in March, 2004.) While gross profit has been increasing steadily, net income is projected to decline in FY05 and FY06 when the Department of Liquor Control undertakes new investments in computer upgrades and physical improvements in the warehouse.</p><div><p>Net Income (\$000)</p><table><thead><tr><th>Fiscal Year</th><th>Net Income (\$000)</th></tr></thead><tbody><tr><td>02 ACT</td><td>\$14,179</td></tr><tr><td>03 ACT</td><td>\$13,535</td></tr><tr><td>04 ACT</td><td>\$14,909</td></tr><tr><td>05 BUD</td><td>\$14,692</td></tr><tr><td>06 REC</td><td>\$14,089</td></tr></tbody></table></div></div>					Fiscal Year	Net Income (\$000)	02 ACT	\$14,179	03 ACT	\$13,535	04 ACT	\$14,909	05 BUD	\$14,692	06 REC	\$14,089
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